

AR36

FOR RELEASE ON RECEIPT
Tuesday, August 12, 1969

from:
PURE SILVER MINES LIMITED,
Suite 2306, 401 Bay Street,
Toronto, Ontario.

PURE SILVER ADVANCES PROGRAMS
ON MEXICAN SILVER-GOLD PROPERTIES

Development targets of Pure Silver Mines Limited, for its silver properties in Mexico, were reviewed to shareholders today at the company's annual meeting in Toronto.

The company, whose shares were listed for trading on the Toronto Stock Exchange this week, is pursuing advanced exploration on three properties in the Guanajuato region of Mexico, one of the most prolific silver and gold producing regions in the country, in a joint venture with Compania Minera Fresnillo, S.A. and Metalurgica Mexicana Penoles, S.A.

At the Cebada property work has so far indicated 100,000 tons grading 48oz. silver and 0.19oz. gold per ton, classed as "probable", Dr. W.A. Gross, managing director, stated. A two-compartment shaft is being sunk and it is hoped to commence shipments of ore to a mill within a year, he added.

At the Peregrina property, about four miles northeast of Guanajuato, work is centred on eight new veins with drifting being done on two levels. Work to date has indicated 300,000 tons grading 15.2oz. silver and 0.14oz. gold. It is the aim of the company to ship ore at the rate of about 300 tons per day from this property by late 1970, Dr. Gross said.

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It is at the Veta Madre property where the company holds expectations of proving up the largest tonnage of silver-bearing material. Exploration is on a section which management of Pure Silver believes to be the "faulted-off extension" of the structure which has for several centuries been on one of Mexico's principal silver sources.

A report by the company's consultant, Duncan R. Derry Associates, states probable reserves, based on the first three drill holes, are 700,000 tons of 12.5oz. silver and 0.12oz. gold. A program of deep diamond drilling is in progress and the company expects to make its underground development decision within the next few months, Dr. Gross reported.

He also reported that, in the drilling program on this property, the No. 4 hole has not yet been completed. The No. 5 hole was drilled 1,700 feet east of the discovery hole and intersected 31 feet of vein material. Information from this hole, combined with other information available, now indicates the "faulted-off extension" is at least three miles in length, Dr. Gross said.

Directors elected at the meeting were: A.J. Anderson, president; W.H. Gross, vice-president and managing director; W.S. Eplett, treasurer; F.W. Maund; E.L. Samuel; R.C. Stone; D.E.G. Vasey.



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PURE SILVER MINES LIMITED

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THE SHAREHOLDERS
PURE SILVER MINES LIMITED

PROGRESS REPORT - MAY 20, 1969

Pure Silver has just completed Hole Number 3 of their drilling program in Guanajuato, Mexico to test for the deeply buried, faulted extension of the Mother Lode ore bodies.

Holes 1 and 2 drilled on the same section near the centre of the property returned an average of 14.3 oz of silver and 0.09 oz of gold over true width of 48 feet.

Hole number 3 is located 330 feet north of holes 1 and 2. This hole flattened during drilling and cut through a narrow intersection (6.1 feet) at the top of the favourable ore zone 150 feet up dip from Hole 1 and 550 feet up dip from Hole 2. The grade of the ore in Hole 3 was 14.2 oz of silver and 0.08 oz of gold which is almost identical to the average grade calculated for Holes 1 and 2.

A second drill machine has been added to the project. Hole number 4 is being drilled 330 feet south of Holes 1 and 2 and Hole number 5 is being drilled about 1200 feet south of the discovery holes. Hole 5 is a major step out for such an early stage of exploration. However, the ore bodies in Guanajuato often have extensive strike lengths so that if this hole is successful in locating the continuation of the mineralized zone it is expected that an early decision would be made to go underground to develop the ore indicated in the central part of the property.

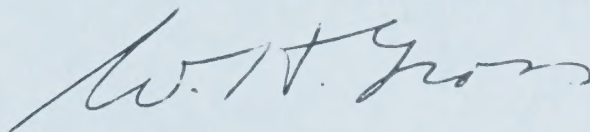
The favourable ore-bearing structure is known to continue to the South east for several miles. Even after an underground decision is made the surface drills will likely continue to explore the ore-bearing structure at depth.

Negotiations have been progressing with the owners of the Cubo Mine whereby under certain conditions Pure Silver would purchase 100% of the capital stock of Cubo. The Cubo mine is producing at the rate of 220 metric tons of ore per day, and is located adjacent to the Peregrina property which Pure Silver is actively developing underground on two levels. The agreement being negotiated contemplates that Pure Silver will have a 4 months study period to enable them to determine the economics of the take over and to make arrangements for proper Mexicanization of the mine with Mexican partners.

Apart from the development work being done on the Peregrina and Cebada properties, Pure Silver and its partners are actively studying other worthwhile silver properties at Guanajuato. Two old mines where assay data indicates ore values in and under the old workings are being opened up. A third property will be developed shortly where shallow drilling on the extension of a known ore-bearing structure gave 51 oz of silver and 0.4 oz of gold over a true width of 10 feet.

A diamond drill program will be commenced shortly on the Goodchild Lake nickel property to test a series of known anomalies indicated by Geophysical work concluded last fall.

Respectfully submitted
on behalf of the board

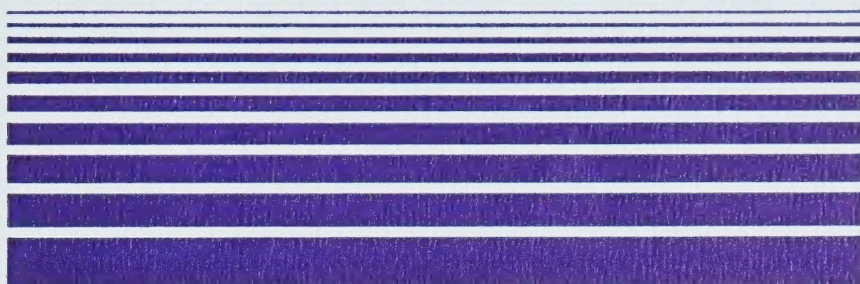
A handwritten signature in dark ink, appearing to read "W.H. Gross", written in a cursive style.

W.H. Gross
Vice-President.

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File

PURE SILVER MINES LIMITED



Progress Report

OCTOBER 3, 1969

To the Shareholders

Pure Silver Mines Limited, with its Mexican partners, Compania Minera Fresnillo, S.A. and Industrias Penoles, S.A., are advancing exploration and development on a number of properties in the Guanajuato district of Mexico. Since there are numerous projects at various stages of development, you may appreciate this progress report – the first sent to shareholders since the shares of the company were accepted for trading on The Toronto Stock Exchange. The posting was August 12, under the ticker symbol PSL.

The table (Summary of Property Progress) shows that the Company and its Mexican partners – both of whom are major corporations with long-established mining, processing and metal marketing facilities – have at present in excess of one million tons of medium to high-grade gold-silver reserves indicated at Guanajuato. It is expected, as exploration and development continues, that substantial quantities of additional ore will be found during the coming year.

Small quantities of ore being mined during the present development stage are being shipped to the milling plants at El Cubo and San Pedro. It is expected that during 1970 ore shipments will increase and could reach 300 tons per day by the end of that year. If large quantities of ore are found in the extensive Mother Lode structure which is presently being drilled, it is likely that a major new plant would be built in a central location to process ore from the various Guanajuato properties.

Your directors believe that the company's efforts to develop new silver production are particularly timely.

Consumption of silver now greatly exceeds the production of newly-mined silver. This year new mine production in the western world is expected to be approximately 240 million ounces, whereas total use is estimated to be about 380 million ounces. The present excess of demand over supply is being met largely by selling from the U.S. Treasury stockpile and from melting down of silver-bearing coins.

Although surface stockpiles of silver are large, there are limited quantities available to industry at present prices. It would seem most unlikely that a prolonged period of price weakness could occur in silver markets. Thus, your management believes that the properties being developed should come into production at a time of stable or rising silver prices.

Peregrina Property

Since taking over the development of this property on May 8, 1968, approximately 250,000 tons of ore have been indicated in the Main Vein between the 6th and 10th levels of the mine. In addition, approximately 100,000 tons of ore have been indicated on the No's 1 and 2 veins. Insufficient work has been done on the other known veins to allow tonnage calculations to be made.

Drifting on the 10th level (about 1,300 feet below surface) has indicated strong mineralization in the Main Vein at that depth. For example, the last 100 feet in the drift ran 18.5 oz. of silver and 0.17 oz. of gold over a width of nine feet. On the 6th level (about 900 feet below surface) cross-cuts and raises are being driven to develop the ore shoots found to date on this vein.

Summary of Property Progress

Property	Status	Approximate Area Acres	Development Stage	Indicated Tonnage (Metric)	Indicated Ore Grade Per Ton
Peregrina	Under option to purchase	600	Underground on two levels	350,000	15 oz. silver 0.14 oz. gold
Cebada	Under option to purchase	630	Shaft sinking to 1,000 feet	100,000	47 oz. silver 0.19 oz. gold
Mother Lode	Owned through the Las Torres Co.	650	Surface drilling	700,000	14.2 oz. silver 0.09 oz. gold
El Triunvirato	Under option to purchase	215	Surface work	Unknown	—
El Hallazgo	Under option to purchase	160	Underground on one level	Ore body indicated	30 oz. silver plus gold value
Thesalia	Acquired by staking	200	Underground work planned	Ore body indicated from surface drilling	25 oz. silver 0.25 oz. gold
El Cubo	Negotiating to purchase	1,250	In production at 250 tons per day	150,000	10.0 oz. silver 0.10 oz. gold
San Pedro Mill	Under option to purchase	7	Capable of being expanded to 250 tons per day	—	—

now that the extension of the famous Mother Lode ore system has been found.

- (c) It is possible on the basis of holes 1, 2 and 3 to calculate a diamond drill indicated block of 700,000 tons of ore grading 14.2 oz. silver and 0.09 oz. gold before dilution. It seems obvious that an extensive program of drilling and underground work will be necessary to fully explore the three-mile strike length of structure held by the Company.

Considerable difficulty has been experienced in the deep drilling. Faulty equipment has now been largely replaced, and it is expected that drilling will now be carried out more quickly and efficiently.

El Triunvirato

This group of properties was acquired, partly by staking and partly by option, to cover the strike extension of the veins presently being developed on Peregrina. Surface and underground exploration of this property is expected to start soon.

El Hallazgo Option

This property was worked during the turn of the century and closed down in about 1916. The original underground maps indicate that a vein was exploited over a length of about 700 feet and to a depth of about 300 feet. Ore grade appears to have been approximately 30 ounces of silver per ton with low gold values over a mining width.

Sample plans suggest that there could be considerable ore left in the mine and that additional ore might be found along strike and down dip. A mining plant is being installed and underground work to open up the deposit has started.

Thesalia Property

Three surface drill holes have indicated that there are several parallel silver-gold bearing quartz veins on this property. The best intersection returned about 50 ounces of silver and 0.4 ounces of gold over a true width of 12 feet. Plans are being made to explore this property underground in 1970. Any ore developed in this mine will be shipped directly to the nearby San Pedro mill. At present Pure Silver owns 49% of this property.

El Cubo Mine

Negotiations for the acquisition of this property have been temporarily suspended until the attitude of the Mexican Department of Finance has been clarified.

Other Guanajuato Projects

Negotiations are in progress to acquire additional blocks of ground, totalling about 2,000 acres, in the Guanajuato district.

Goodchild Lake, Ontario

Nickel and copper mineralization occurs in and around the contact of a serpentinite intrusive at Goodchild Lake in northwestern Ontario. Eleven diamond drill holes totalling 4,255 feet were drilled to test a combination of electro-magnetic, self-potential and magnetic geophysical anomalies found near the contact zone. Although massive to disseminated sulphide mineralization was found in some of the holes the assay results were too low for the material to make ore.

Logjam Silver Property, Yukon

No work is planned for Logjam during 1970. The property is being kept in good standing and further work is being postponed to allow a full concentration of effort on our Mexican holdings.

Tormex Mining Developers Limited Lacanex Mining Company Limited

In order to broaden the base of Pure's activities in Mexico and elsewhere, the company recently purchased 8.6% interest in Tormex Mining Developers Limited and 5.8% interest in Lacanex Mining Company Limited.

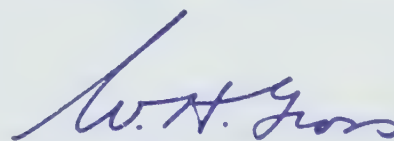
Since the beginning of the year Tormex has started drilling programs on a tungsten prospect and on a copper deposit. Tormex has also completed a magnetic geophysical and geological survey on a second copper property and has obtained a 37½% interest in a third copper prospect, of the porphyry copper type, where a crew of 52 men is now working. In addition, the company has acquired an important-looking fluorite deposit and has optioned a gold property which may have open-pit mining potential.

Tormex has an office in Hermosillo City in the State of Sonora where four of the properties are located, and will be concentrating most of its exploration efforts in the northwest of Mexico.

Shortly Lacanex will be opening an office in the north-east of Mexico where it will be doing most of its exploration. Lacanex also intends to set up exploration projects in other areas of Latin America and to some extent in Canada.

Pure Silver, Tormex and Lacanex share offices and personnel based in Toronto and Mexico City.

On behalf of the board,



W. H. GROSS,
Vice-President and General Manager

Drifting is continuing on the Main Vein to the northwest where three drill holes indicated ore values over several hundred feet. The drift has now reached the first of these drill holes and so far 13 feet of vein has been exposed which grades 10.3 oz. of silver and 0.06 oz. of gold over a width of four feet. If this zone develops into an ore shoot considerable tonnage will be added to Peregrina reserves.

In addition to the lateral development being done by drifting and cross cutting, a program of raising, underground and surface drilling is also in progress to determine the vertical continuity of ore shoots on the Main Vein. The first surface hole in this series cut 3.8 feet of vein grading 98 oz. of silver and 0.34 oz. of gold per ton at a depth of about 300 feet below the surface. The Main Vein does not extend up to surface. This drill hole, however, indicates that the vein could come to within 300 feet of the surface which means that the vein could extend 500 feet up from the 6th level. If further work corroborates the upward continuity, the Main Vein ore shoots would have a vertical extent of more than 1,000 feet.

The first raise at the end of the most southerly ore shoot on the Main Vein is now up 150 feet above the 6th level. The vein in the raise graded 9.7 oz. silver and 0.11 oz. gold.

Exploration for new ore shoots on the Peregrina is continuing and the known ore bodies are being more fully developed in preparation for mining.

Cebada Development

The shaft at Cebada is now down to a depth of approximately 300 feet. Progress in this shaft was much slower than anticipated because of the excessive caving in a decomposed schist near the surface. The rock at depth is becoming firmer and it is expected that sinking will now progress at about 65 feet per month. This will mean that the shaft will reach its projected depth of 1,000 feet in about 10 months.

The present plan is to drive two levels at depths of 800 and 950 feet to develop the 100,000-ton block of ore indicated below the old Cebada mine by nine diamond drill holes from the surface. It is hoped that the 800-foot level of the mine will be ready to drive in about eight

months. In the meantime the plan is to open up and sample the old mine. Any ore found in the old mine or any ore broken during the development of the 8th level will be shipped to the nearby San Pedro mill which the company has under option to purchase.

Because the development of the Cebada has taken longer than anticipated, the expiration date of the option has been extended by the kind cooperation of the property owners from May 3, 1970 to May 3, 1971.

The Mother Lode Extension

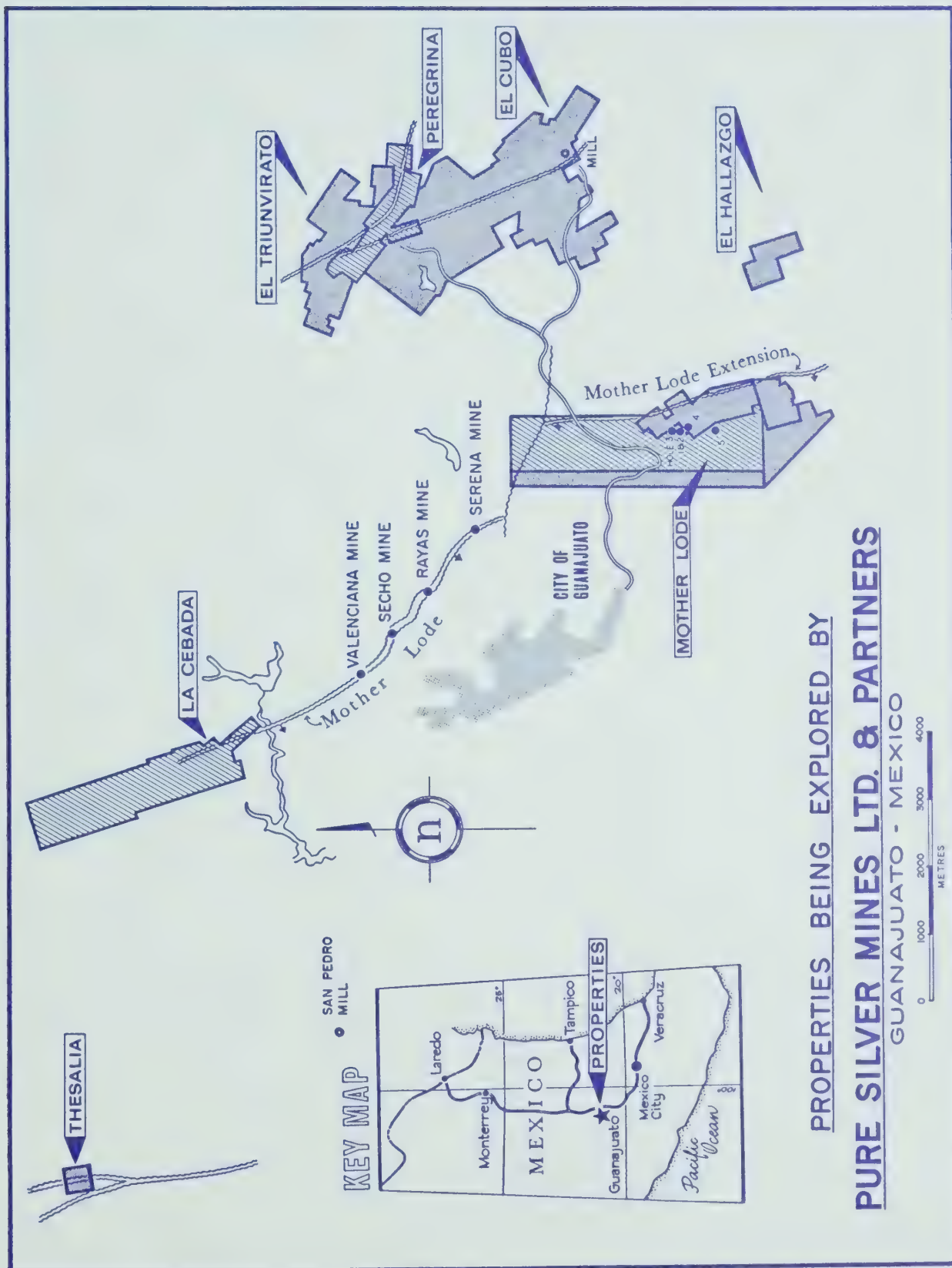
The Mother Lode fault zone strikes roughly north-south and dips about 45° west. The northerly three miles of the structure has been mined for more than 400 years and has produced gold and silver worth several billion dollars at present metal prices. The gold and silver in the Mother Lode occur as quartz stringers and veins that lace through a broken-up conglomerate within the fault zone. Although the average width of the ore bodies is about 20 feet, the mineable ore shoots within the fault are very irregular in shape and size and make up less than about 40% of the overall mineralized zone.

The company now controls ground covering about three miles of structure which lies to the south of the old area of production described above. This structure is believed to be the faulted extension of the original Mother Lode and the main productive zone is calculated to be more than 1,000 feet below the surface. To date six deep holes have been drilled to explore this structure at depth. Data on these holes is tabulated in the table given at the bottom of this page.

Although only three of the six drill holes (50%) can be considered ore at present silver prices, the holes are significant for the following reasons:

- (a) Ore intersections were obtained in rhyolite lava. The conglomerate, which is the favourable ore host on the main Mother Lode, underlies the rhyolite and can only be reached by deeper holes.
- (b) Important values of silver have been found in a strong fault zone over a length of a mile. There is little doubt

Hole No.	Approximate Location	Approximate depth below surface	Assay in oz. gold per ton	Assay in oz. silver per ton	Approximate true width feet	Remarks
1	0+00	1,225	0.13	17.00	33.3	In rhyolite lava
2	0+00	1,450	0.07	12.7	67.6	In rhyolite lava
3	330'N	1,100	0.08	15.0	6.3	In rhyolite lava
4	330'S	1,400	0.02	5.1	6.0	In rhyolite lava
5	1700'S	1,400	Low	Low	20.0	In rhyolite lava
5A	5000'S	900	0.10	5.0	21.0	Old hole
6	230'N	1,500			drilling	
7	200'S	1,500			drilling	



PROPERTIES BEING EXPLORED BY

PURE SILVER MINES LTD. & PARTNERS

GUANAJUATO - MEXICO

AR36

PURE SILVER MINES LIMITED

and subsidiary company, Mexico Exploration (Canada) Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the six month period ended September 30, 1970

SOURCE OF FUNDS:	<u>1970</u>	<u>1969</u>
Issue of capital stock for cash	\$ 437,500	
Release of funds deposited with trustee under the Peregrina option agreement	98,000	
Proceeds of bank loan	2,784,500	
Repayment of notes receivable	43,750	
Sale of shares in associated companies		\$ 5,295
Repayment of advances to associated companies		24,884
	<u>\$3,363,750</u>	<u>\$ 30,179</u>
APPLICATION OF FUNDS:		
Exploration, administrative and other expenditures	\$ 132,880	\$ 114,400
Leasehold improvements		3,589
Less: non-fund items:		
Depreciation and amortization	8,648	
Deferred charges	583	
	<u>123,649</u>	
Purchase of fixed assets	10,022	28,057
Purchase of shares in other companies:		
Negociacion Minera Santa Lucia, S.A.	172,500	
Tormex Mining Developers Limited	33,468	
Advances to other companies:		
Tormex Mining Developers Limited	2,589,094	
Negociacion Minera Santa Lucia, S.A.	26,232	
Cia Minera Las Torres, S.A.	102,238	
Non-current notes receivable	128,010	
	<u>\$3,185,213</u>	<u>\$ 146,046</u>
Increase (decrease) in working capital position	\$ 178,537	\$(115,867)
Working capital (deficiency) at beginning of period	\$ (5,680)	\$ 398,302
Working capital at end of period	<u>\$ 172,857</u>	<u>\$ 282,435</u>

PURE SILVER MINES LIMITED

INTERIM REPORT 1970

PURE SILVER MINES LIMITED

To The Shareholders :

The reorganization and refinancing of Pure Silver and associated companies under the terms of an agreement with Dupont of Canada Limited and others was approved by shareholders on September 18, 1970. The agreement has now been approved by all the companies and individuals involved, however, completion of the transactions contemplated by the agreement awaits final clearance by the appropriate regulatory bodies.

The ore picture continues to expand on the Company's properties in Guanajuato, Mexico. To date about 3,000,000 tons of ore grading approximately 14 ounces of silver and 0.08 ounces of gold per ton have been indicated at the Mother Lode, Peregrina and Cebada Mines.

So far only about 10% of the Mother Lode has been tested by 17 diamond drill holes totalling about 28,000 feet. Four surface drills are now at work testing this major ore-bearing structure along strike and down dip and the Company is hopeful that additional ore shoots will be found. The assay results of recent drilling are summarized below :

Results of Recent Drill Holes – Mother Lode

<i>Hole No.</i>	<i>Approx. Location</i>	<i>Approx. Depth Below Surface</i>	<i>Oz. Gold</i>	<i>Oz. Silver</i>	<i>Approx. True Width in Ft.</i>	<i>Remarks</i>
15	1,200 N	2,000	Low	Low	32.0	Strong structure
16	590 N	1,650	0.02	5.0	27.0	On shaft section
17	820 N	1,940	0.16	22.8	7.1	

Detailed metallurgical studies of the Mother Lode and Peregrina ores are now complete. These studies show that upwards of 90% of the gold and silver can be recovered from the ore by straight flotation. Further test work is being done in both Canada and Mexico to obtain detailed engineering data for mill design purposes.

The production shafts on the Peregrina, Cebada and Mother Lode properties are expected to be completed next year. In the meantime a preliminary feasibility study of a plant designed to handle 1,400 metric tons per day has been completed by independent Mexican consulting engineers. The capital cost of the

plant is estimated to be \$10,800,000 U.S. with an operating cost of approximately \$8.50 per ton. The mill will be located on the Mother Lode property two miles from the City of Guanajuato, and ore will be trucked from the Peregrina and Cebada properties to the plant for processing.

Tormex Mining Developers Limited

Tormex, in which the Company will have approximately 26% interest following closing of the refinancing previously referred to, and exercise of all outstanding warrants and options, is continuing an active program of exploration and development in Mexico.

The Encantada lead-silver mine in northeastern Mexico is being readied for production at a rate of 300-500 tons per day. Ore reserves of some 1,000,000 tons grading 22.4% lead and 17.4 oz. silver per ton have been developed underground. There are excellent opportunities to develop additional reserves at depth. At present this mine is shipping about 60 tons per day of development ore to the smelter at Torreon. Full production at the increased rate should be achieved during 1971.

Underground exploration of the Santa Rosa fluorite mine in northwestern Mexico is continuing in partnership with Combustion Engineering Inc. of New York. The current program of development is nearing completion. So far about 250,000 tons of open pit fluorspar of moderate grade has been indicated.

The Arados copper prospect in north central Mexico is being diamond drilled in partnership with International Nickel and Granby Mining. The first hole has been completed but no assay results of the core have been received as yet.

In addition to the above projects, Tormex has a number of other prospects at various stages of exploration and development.

On behalf of the Board,

Dr. W. H. Gross
President

Toronto, Ontario

November 24, 1970

AR36

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the six month period ended September 30, 1969.
(with comparative figures for the six month period ended September 30, 1968)

SOURCE OF FUNDS:

Issue of convertible income debentures	1969	1968
Issue of capital stock for cash		\$675,000
Sale of shares in associated companies	\$ 5,295	37,500
Repayment of advances to associated companies	24,884	
	<u>\$ 30,179</u>	<u>\$712,500</u>

APPLICATION OF FUNDS:

Exploration, administrative and other expenditures	\$114,400	\$169,357*
Leasehold improvements	3,589	
Purchase of fixed assets	28,057	212
Funds deposited with trustee		98,000
Advances to associated companies		25,872
Working capital deficiency of subsidiary company acquired		37,186
	<u>\$146,046</u>	<u>\$330,627</u>
Increase (decrease) in working capital	(115,867)	\$381,873
Working capital (deficiency) at beginning of period	398,302	(31,888)
Working capital at end of period	<u>\$282,435</u>	<u>\$349,985</u>
*Expenditures (net) for the 1968 period		<u>\$215,856</u>
Less non-fund items		
Discount on issue of debentures	\$75,000	
Excess of book value of subsidiary company's net assets over cost of acquiring shares	(28,501)	46,499
		<u>\$169,357</u>

PURE SILVER MINES
LIMITED

INTERIM REPORT 1969

PURE SILVER MINES LIMITED

To The Shareholders:

Progress on your company's exploration projects in the Guanajuato district of Mexico with its Mexican partners, Compania Minera Fresnillo, S.A. and Industrias Penoles, S.A., was reviewed in detail in the recent report dated October 3, 1969. For the purposes of this interim financial report, as at September 30, 1969, I will summarize the progress and advise you of the recent results. The various interests held in or with respect to the Mexican companies holding the properties outlined here were fully set out in the annual report.

Peregrina Property

Since taking over the development of this property on May 8, 1968, approximately 250,000 tons of ore have been indicated in the Main Vein between the 6th and 10th levels of the mine. In addition, approximately 100,000 tons of ore have been indicated on the No's 1 and 2 veins. Insufficient work has been done on the other known veins to allow tonnage calculations to be made.

Exploration for new ore shoots on the Peregrina is continuing and the known ore bodies are being more fully developed in preparation for mining. The option with respect to this property has been extended and is exercisable on or before May 3, 1970.

Cebada Property

The shaft at Cebada is now down to a depth of approximately 350 feet. It is expected that the shaft will reach its projected depth of 1,000 ft. late in 1970.

The present plan is to drive two levels at depths of 800 and 950 feet. These levels will develop the 100,000-ton block of ore averaging 47 oz. silver and 0.19 oz. gold per ton, indicated below the old Cebada mine by nine diamond drill holes from the surface. In the meantime, the old mine will be opened and sampled and any ore found will be shipped to the nearby San Pedro mill which is under option to purchase. The option with respect to the Cebada property and San Pedro mill expires on May 3, 1971. It is expected that by then sufficient ore will have been developed to bring the property into production at approximately 200 tons per day.

There is about 2.5 miles of potential ore structure on the Cebada property. This structure will be explored once the mine has been brought into production.

The Mother Lode Extension

New shareholders will be interested to know that since its discovery more than 400 years ago, the Mother Lode fault zone is believed to have pro-

Hole No.	Approximate Location	Approximate Depth Below Surface	Assay in Oz. Gold Per Ton	Assay in Oz. Silver Per Ton	Approximate True Width	Remarks
1	0+00	1,225	0.13	17.00	33.3	In rhyolite lava
2	0+00	1,450	0.07	12.7	67.6	In rhyolite lava
3	330'N	1,100	0.08	15.0	6.3	Top of ore zone
4	330'S	1,400	Low	Low	109.0	In rhyolite lava
5	1700'S	1,400	Low	Low	20.0	In rhyolite lava
5A	5000'S	900	0.10	5.0	21.0	Old Hole
6	230'N	1,500	0.23	57.2	40	In rhyolite lava
7	200'N	1,500	0.08	21.7	110	In rhyolite lava
8	200'S	1,200	0.09	19.7	50	In rhyolite lava
9	230'N	1,200	—	—	drilling	
10	0+00	1,700	—	—	drilling	

duced more gold and silver than any other single structure in the world. It is estimated that the total production is in the order of several billion dollars at present metal prices. Ground covering about three miles of what is believed to be the "faulted-off extension" of the Mother Lode structure was acquired to the south of the old area of production. A deep drilling program using two machines is being done to test the proposed faulted extension of the ore zone at depth.

Diamond drill results to date are summarized in the table above.

It is possible, on the basis of the results to date, to calculate a diamond drill indicated block of upwards of 1,000,000 tons of ore grading 23.5 oz. silver (uncut) and 0.105 gold (uncut) over an average width of 61 feet. It is expected that a decision will be made shortly to sink a shaft so that this newly-discovered ore zone can be developed from underground. An extensive program of diamond drilling and underground work will be necessary to explore fully the three-mile strike length of the structure held by the company.

Other Guanajuato Properties

El Triunvirato is a group of properties being acquired, by the company and its Mexican partners, partly by staking and partly by option to cover the strike extension of the veins presently being developed on Peregrina.

El Hallazgo is an old mine on which an option was acquired for the company and its Mexican partners. Original underground maps indicate the presence of considerable ore grading approximately 30 oz. of silver. A mining plant is being installed and underground development work has commenced.

The Thesalia property in which the company is obtaining an interest was acquired by staking. The plan is to explore underground where three surface drill holes have indicated the presence of a possible orebody.

Other properties are being examined in the Guanajuato area with a view to acquiring additional ground of merit.

Canadian Properties

- a) At Goodchild Lake, Ontario, drilling results on a nickel-copper property proved unsatisfactory and work has been discontinued.
- b) The Logjam silver property, Yukon, is being kept in good standing. No work is planned for 1970 in order to concentrate efforts on the Mexican holdings which are in a more advanced stage of development.
- c) Several Canadian properties have been submitted and investigated. None proved to be of sufficient interest to warrant acquisition by the company.

Tormex Mining Developers Limited and Lacanex Mining Company Limited

The company owns an 8.6% interest in Tormex and a 5.8% interest in Lacanex. Tormex is now actively exploring several properties in Mexico. Lacanex has just recently been organized and will soon launch an exploration program in Mexico, Canada and elsewhere. Shares of this company were listed this week on The Toronto Stock Exchange.

General

We enclose for your information a reprint from an article on Mexico which appeared in the September issue of Mining in Canada. You will note the paragraphs on the company and on Tormex.

Your directors consider that results of our work to date in Guanajuato have been productive and we look forward to continued success in the future. Periodic reports on the company's activities will continue to be issued to registered shareholders.

On behalf of the board.

W. H. Gross,
Vice President and Managing Director

Toronto, Ontario

November 27, 1969

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PURE SILVER MINES LIMITED

ANNUAL AND GENERAL MEETING — SEPTEMBER 18, 1970

Information Circular as at August 28, 1970

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation by the management of Pure Silver Mines Limited ("the Company" or "Pure") of proxies to be used at the Annual and General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular personnel of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the accompanying form of proxy are directors and/or officers of the Company. **A shareholder desiring to appoint some other person to attend and act for him and on his behalf at the meeting may do so** either by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Company. If the shareholder does not wish to appoint as alternate proxies the persons named in the accompanying form, he should delete their names.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing a written notice of revocation and delivering it to the Company or the Chairman of the meeting or (c) by attending at the meeting and orally revoking such proxy.

Where a proxy is signed by a corporation, its corporate seal must be affixed. Proxies should be signed in the same name as shares are registered. Title should be given when signing in a representative capacity.

Exercise of Discretion by Proxies

The shares represented by the proxy will, subject to section 75f of The Corporations Act, be voted and, where the person whose proxy is solicited specifies a choice with respect to any matter to be acted upon, be voted in accordance with the specification so made. **In the absence of such specification, such shares, if voted, will be voted in favour of:**

- (a) the approval and adoption of the Fourth Annual Report which includes the Report of the Directors, the Consolidated Financial Statements for the period ended March 31, 1970, the auditors' Report and the Managing Directors' Report;
- (b) the election as directors of the nominees described below;
- (c) the appointment as auditors of Thorne, Gunn, Helliwell & Christenson with authority to the directors to settle their remuneration;
- (d) sanction, confirmation, ratification, adoption and approval, with or without amendment or variation, of the Reorganization and Financing Agreement made as of August 28, 1970 described herein and the relevant transactions and matters thereby contemplated and authorization and direction of execution and delivery of all undertakings, directions and other instruments appropriate and necessary to the due carrying out thereof;
- (e) the confirmation of Special Resolution "N" described below.

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting and any adjournment thereof. At the date hereof the management of the Company knows of no such amendments, variations or other matters.

Voting Shares and Principal Holders Thereof

At the date hereof the Company has outstanding 3,291,000 shares without par value and each carrying the right to one vote per share. In addition, the holders of any of the \$489,000 face value of remaining unconverted 8% Convertible Income Debentures of the Company who convert into shares between the date hereof and the date of the Annual Meeting will be entitled to one vote with respect to each share received upon conversion. Wilfred McKinnon is the only person known to own beneficially, directly or indirectly, shares carrying more than 10% of the voting rights attached to all issued shares of the Company and his approximate holding is 343,065 shares or 10.4%. He also owns 50% of the shares of Timberline Development Services Limited which holds 38,154 shares of the Company.

Shareholders of record at the time of the meeting will be entitled to attend and vote at the meeting. The recorded addresses of shareholders are indicated on the printed proxy furnished with the Notice of Meeting. Shareholders are urged to see that the Transfer Agent, Montreal Trust Company, at 15 King Street West, Toronto, has their current addresses.

Election of Directors

The Board consists of seven directors. The persons named in the enclosed form of proxy intend in the event of a poll to vote for the election of nominees whose names are set forth below, all but one of whom are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, and their principal occupations. The number of shares of the Company beneficially owned directly or indirectly by each of them at the date hereof is indicated elsewhere herein.

<u>Name and Address</u>	<u>Principal occupation during past 5 years</u>	<u>Became Director</u>
A. J. Anderson (President) Toronto, Ontario	Mining Engineer	1966
W. H. Gross (Vice-President and Managing Director) Mexico, D.F.	Geologist	1966
W. S. Eplett (Treasurer) Willowdale, Ontario	Lawyer — Executive	1966
D. A. Lowrie Willowdale, Ontario	Geologist	1969
F. W. Maund Toronto, Ontario	Management Consultant	1969
E. L. Samuel, Mississauga, Ontario	Industrialist	1966
D. E. G. Vasey Toronto, Ontario	Industrialist	1966

Remuneration of Directors and Senior Officers

The only remuneration other than out-of-pocket expenses paid or payable by the Company and its subsidiary to the directors and senior officers of the Company as such for the fiscal year ended March 31, 1970 was \$45,121 aggregate. During the current fiscal year similar remuneration is planned.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, Toronto, Ontario, as auditors of the Company, to

hold office until the next Annual Meeting of Shareholders. Thorne, Gunn, Helliwell & Christenson or their predecessors have been auditors of the Company since its inception.

Interest of Directors and Others in Material Transactions

Since March 31, 1969 various material transactions in which certain directors were interested have been completed as previously or subsequently authorized by general meetings of shareholders.

A. J. Anderson and W. H. Gross were subscribers for units of Lacanex Mining Company Limited ("Lacanex") of which W. H. Gross is a director and in which the Company invested \$100,000 for 50,000 units (2 shares and 1 warrant).

As a result of the exercise on April 29, 1970 of the Peregrina Option referred to in earlier information circulars which had been extended to May 3, 1970, E. L. Samuel received 44,355 of the 500,000 vendor shares issued thereupon and conditional options, previously authorized by shareholders, became effective for eighteen months on 125,000 unissued shares at \$0.50 divided Samuel Strapping Systems Limited 37,500, W. H. Gross 62,500, W. S. Eplett, 17,500 and R. H. Crompton 12,500.

To provide some of the interim financing requisite pending approval and closing of the Reorganization and Financing Agreement elsewhere described, these options on unissued shares have been exercised.

Interests in the Reorganization and Financing Agreement are set forth with its description below.

Reorganization and Financing Agreement

The Reorganization and Financing Agreement is an agreement made as of August 28, 1970, among Du Pont of Canada Limited ("Du Pont"), Lacanex Mining Company Limited ("Lacanex"), Ducanex Resources Limited ("Ducanex"), Pure Silver Mines Limited ("Pure"), Tormex Mining Developers Limited ("Tormex"), Mexico Exploration (Canada) Limited ("Mexex"), Samuel Strapping Systems Limited ("Strapping"), The Johnson St. Corporation Limited ("Johnson St."), William Samuel Eplett ("Eplett"), and William Harvey Gross ("Gross") which provides for:

1. The private placement of 1,450,000 unissued shares of Pure with Ducanex at \$2.50 per share payable forthwith on issuance of such shares, 425,000 shares to be issued on closing and 1,025,000 shares to be issued on February 3, 1971.

2. The private placement of 1,058,000 unissued shares of Tormex with Ducanex at \$0.80 per share payable forthwith on issuance of such shares, 600,000 shares to be issued on closing and 458,000 shares to be issued on February 3, 1971.

3. The private placement of 833,000 unissued shares of Tormex with Pure at \$0.80 per share payable forthwith on issuance of such shares, 600,000 shares to be issued on closing and 233,000 shares to be issued on February 3, 1971 and exercise by Pure on or before June 30, 1971, the expiry date, of warrants now held by it to purchase at \$0.80 per share 75,000 unissued shares of Tormex bringing its Tormex holdings also to 1,058,000 shares.

4. The private placement on February 3, 1971 to Ducanex and Pure in equal proportions at \$0.80 per share of any of the 250,000 unissued shares of Tormex not purchased by R & I-Ramtite (Canada) Limited pursuant to an existing share purchase option agreement dated October 29, 1969.

5. Pure to purchase for investment 160,004 shares (being about 8%) of Mexex from Strapping, Johnson St., Eplett and Gross and such companies and persons to surrender options to purchase 100,000 unissued shares of Mexex at \$0.40 per share and conditional options to purchase 300,000 unissued shares of Pure at an average price of \$2.50 per share, the consideration for the foregoing to be \$625,000 cash. This will result in Mexex becoming a wholly-owned subsidiary of Pure.

6. The purchase of a total of 50,000 unissued shares of Pure by Strapping, Johnson St., Eplett and Gross at \$2.50 per share payable forthwith on issuance of such shares on closing. The obligations of Strapping, Johnson St., Eplett and Gross to purchase the said shares of Pure is conditional upon the obtaining of a ruling from the Ontario Securities Commission that such purchase and any resale of the shares will not be in primary distribution.

7. Du Pont to loan or cause to be loaned to Pure up to \$4,000,000 during the period from closing to December 31, 1978 to enable Pure to carry out exploration and development of mining properties, including investments in or loans to Tormex or other mining companies for such purposes. Such loan will not be callable until after December 31, 1975 and then on not less than one year's notice and, if from Du Pont or an affiliate

of Du Pont, will bear interest at prime bank rates plus 1 %, or if from any other lender, will bear interest at prime bank rates with Du Pont being entitled to a 1 % guarantee fee. Du Pont's obligation is only as a lender of last resort or guarantor in such capacity if such loan is not otherwise available to Pure from other sources on equal terms.

8. Certain substantial shareholders of Pure until December 31, 1978 to provide Ducanex with proxies in favour of Ducanex nominees for all Pure shareholders' meetings, with certain restrictions as to the matters on which such proxies may be voted, Ducanex to agree to vote such proxies to elect two nominees of such shareholders to the Pure board of directors; such shareholders to give Ducanex a right of first refusal until December 31, 1978 to purchase their Pure shares at market prices.

9. Certain substantial shareholders of Tormex, including Pure, until December 31, 1978 to provide Ducanex with proxies in favour of Ducanex nominees for all Tormex shareholders meetings, with certain restrictions as to the matters on which such proxies may be voted, Ducanex to agree to vote such proxies to elect two nominees of Pure and one nominee of the other such shareholders to the Tormex board of directors; such shareholders other than Pure to give Ducanex and Pure an equal right of first refusal until December 31, 1978 to purchase their Tormex shares, exercisable at market prices, and Pure and Ducanex to have mutual first rights of refusal with respect to their Tormex shares.

10. Tormex to purchase the Mexican operations of Lacanex, including all the shares of Lacanex, S.A., the wholly-owned Mexican subsidiary of Lacanex, at cost, estimated at approximately \$200,000; Lacanex to refrain from further Mexican mining operations and Tormex to refrain from Canadian mining operations.

11. Lacanex to accelerate the right of Du Pont to purchase under its share purchase agreement with Lacanex dated May 1, 1970, 750,000 unissued shares of Lacanex so that such shares will be issued to Du Pont by way of private placement on closing at a price of \$1.50 per share payable forthwith on issuance of such shares.

12. Pure to sell to Du Pont the 100,000 shares and warrants to purchase 50,000 shares of Lacanex now owned by Pure for a total of \$122,277 being the market price on June 22, 1970 (when the sale was negotiated) less the usual broker's commission, such sale to take place on closing.

13. Du Pont and Lacanex to provide all necessary funds to Ducanex to permit it to carry out its obligations, and jointly guarantee such obligations.

14. All the transactions to be interrelated and none to be closed without all others closing. Closing is to take place on October 1, 1970 or such other date as the parties may agree and is subject to requisite shareholder action of Pure, Mexex, Tormex, Lacanex, and Ducanex, and to approval of regulatory bodies having jurisdiction.

Lacanex has authorized capital of 5,000,000 shares without par value of which at the date hereof 1,700,007 are issued and 850,000 shares are allotted for issue upon exercise of warrants. Pure holds 100,000 shares and warrants to purchase 50,000 shares of Lacanex. Du Pont has the right to purchase, pursuant to the share purchase agreement above-mentioned, up to 2,550,008 shares of Lacanex.

Under the provisions of a shareholders' agreement between Lacanex and Du Pont all the issued capital of Ducanex is held equally by such two companies making it their joint venture.

The authorized capital of Pure consists of 5,000,000 shares without par value of which at the date hereof 3,291,000 are issued and 1,089,000 reserved for issue on exercise of outstanding options (including the conditional options to purchase 300,000 shares above referred to) and the conversion of its outstanding 8 % Convertible Income Debentures. It is a condition of the Reorganization and Financing Agreement that the authorized capital of Pure be increased to 7,000,000 shares without par value.

The authorized capital of Tormex consists of 5,000,000 shares without par value of which at the date hereof 2,156,330 shares are issued and 952,415 shares have been conditionally allotted for issue on exercise of outstanding options and warrants. Pure holds 150,000 shares and warrants to purchase 75,000 shares of Tormex.

Mexex has an authorized capital of 3,000,000 shares of a par value of \$1.00 each of which at the date hereof 2,000,050 are issued and 200,000 reserved for issue on exercise of options. Pure holds 1,840,046 Mexex shares (being approximately 92 %) and an option to purchase 100,000 unissued Mexex shares at \$0.40.

At present, Pure, with its partners, Cia. Minera Fresnillo, S.A., and Industrias Penoles, S.A., is engaged in exploration and development activities on the Veta Madre, Peregrina and Cebada gold-silver properties in Guanajuato, Mexico, with over 2,500,000 tons of ore now indicated. Pure's participation in the Veta Madre property is through its 92% subsidiary, Mexex. Production shafts on these properties are expected to be completed during 1971, with the objective of full production during 1972. In addition, Pure, through Mexican affiliated companies, holds options on other properties in Guanajuato, on which surface geological mapping and underground work is continuing. Although Pure intends to concentrate on bringing its ore bodies in Guanajuato into production, it plans further exploration in Mexico through its shareholding in Tormex, which is to be increased under the Reorganization and Financing Agreement. Pure also has an interest in certain mining properties in Canada on which no active exploration or development is currently being done.

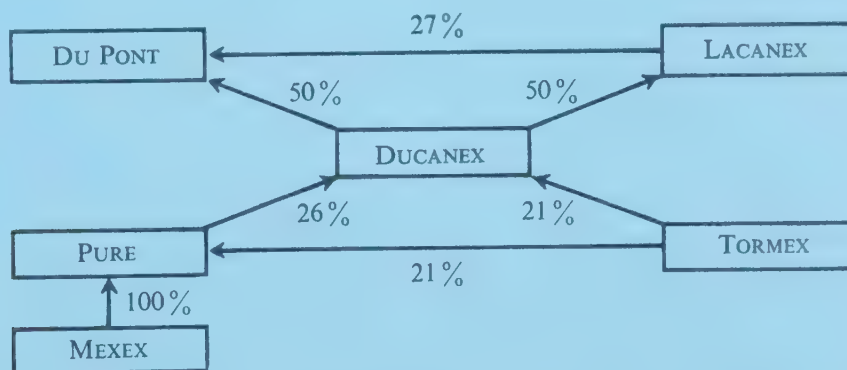
Tormex is presently engaged in the exploration and development of mineral deposits in Mexico with interests, through affiliated companies, in fluorite, gold-silver and copper properties in Sonora. The fluorite deposit is currently being developed under an agreement with R & I-Ramtite (Canada) Limited, a subsidiary of Combustion Engineering, Inc. of New York. With a Mexican affiliate, Tormex has taken an option to acquire a lead-silver mine in Coahuila, Mexico, which it plans to develop with a major Mexican partner if the option is exercised. Tormex has also entered into a joint venture syndicate with International Nickel Mexico Limited and The Granby Mining Company Limited to carry out exploration programmes in Mexico.

Lacanex was formed in April, 1969 and publicly financed in October, 1969. Lacanex has entered into a joint venture with Du Pont under which the two companies have incorporated a jointly owned company, Ducanex, for the purpose of natural resource exploration. Lacanex and Ducanex in Canada have examined several property proposals and are currently involved in exploration of properties in the Yukon Territory, British Columbia and Quebec and have been involved in similar operations in Ontario. It is also joining Imperial Oil Enterprises Ltd., Chevron Standard Limited and Capricorn Ventures Ltd. in an exploration syndicate to conduct a field study for the occurrence of minerals in the Mackenzie District of the Northwest Territories. Through Mexican affiliates, Lacanex has also been examining a number of deposits in Mexico.

As outlined above, each of Pure, Tormex and Lacanex is involved in mineral exploration and/or development work in Mexico and Pure and Lacanex are each involved in mineral exploration in Canada. This has resulted in some overlapping of operations of the companies and a streamlining of the functions of these companies is one of the objects of the Reorganization and Financing Agreement.

For more detail with respect to the affairs of Lacanex, Pure and Tormex, reference is made to the most recent annual financial statements of those companies and the interim financial statements of Lacanex and Tormex, copies of all of which are set forth in this Information Circular.

Upon completion of the transactions, contemplated by the Reorganization and Financing Agreement, the corporate organization (1) of the relevant companies will be as follows:



(1) Assumes full exercise of all outstanding warrants and options to purchase shares of Lacanex, Pure and Tormex, conversion of the 8% convertible income debentures of Pure and the purchase of 750,000 shares of Lacanex by Du Pont under the share purchase agreement referred to above.

(2) Arrows indicate owner of shares.

Because of the present interrelation of the boards of directors of Lacanex, Ducanex, Pure, Tormex and Mexex all or certain of the directors of the Company may have an interest in the Reorganization and Financing Agreement. The following are the members of the relevant boards of directors:

<u>Company</u>	<u>Directors of more than one Company</u>	<u>Directors of one Company only</u>
Lacanex	W. H. Gross D. A. Lowrie F. W. Maund	E. H. Bleckwell (1) C. E. Michener P. J. Schrieder G. T. Smith
Ducanex	W. H. Gross D. A. Lowrie E. G. Thompson	A. H. Baker D. F. Brown K. M. Place
Pure	A. J. Anderson W. S. Eplett W. H. Gross D. A. Lowrie F. W. Maund E. L. Samuel	D. E. G. Vasey
Tormex	A. J. Anderson W. S. Eplett W. H. Gross D. A. Lowrie E. L. Samuel E. G. Thompson	F. W. Beales
Mexex	A. J. Anderson W. S. Eplett W. H. Gross E. L. Samuel	R. G. Crompton B. Willinsky

(1) In addition, Mr. Bleckwell is a director of Du Pont.

The following table indicates the beneficial share holdings, direct or indirect, of the directors and senior officers of Lacanex, Ducanex, Pure, Tormex and Mexex in such companies and Du Pont:

<u>Name and Office</u>	<u>Du Pont</u>	<u>Lacanex</u>	<u>Ducanex</u>	<u>Pure</u>	<u>Tormex</u>	<u>Mexex</u>
G. A. Allen..... Assistant Treasurer of Pure, Lacanex, Tormex, Mexex and Ducanex	—	500	—	100	500	—
A. J. Anderson (1) (7)..... President and Director of Pure; Director of Tormex; Director and Vice-President of Mexex	—	25,000	—	236,283	25,952	—
A. H. Baker..... Director of Ducanex	248	—	—	—	—	—
F. W. Beales..... Director of Tormex	—	10,500	—	500	7,000	—
E. H. Bleckwell..... Director of Lacanex	3,341	200	—	—	—	—
D. F. Brown..... Director of Ducanex	300	—	—	1,000	—	—
T. F. C. Cole..... Secretary of Pure	—	—	—	—	400	—

<u>Name and Office</u>	<u>Du Pont</u>	<u>Lacanex</u>	<u>Ducanex</u>	<u>Pure</u>	<u>Tormex</u>	<u>Mexex</u>
R. G. Crompton (2) (5) (7) Director and Treasurer of Mexex	—	—	—	28,667	40,000	—
W. S. Eplett (1) (2) (6) (7) Director and Treasurer of Pure; President and Director of Mexex; Director and Secretary of Tormex; Secretary of Ducanex	—	40,000	—	101,700	51,876	13,376
W. H. Gross (7) President and Director of Lacanex, Ducanex and Tormex; Vice-President and Director of Pure and Mexex	—	220,003	—	217,450	124,000	7,998
D. A. Lowrie Director and Vice-President of Lacanex; Director and Treasurer of Tormex; Director of Ducanex	—	10,000	—	—	—	—
F. W. Maund Director and Secretary of Lacanex; Director of Pure	—	10,001	—	100	—	—
C. E. Michener Director of Lacanex	—	20,001	—	3,000	800	—
K. M. Place Director of Ducanex	3,146	—	—	—	—	—
E. L. Samuel (1) (2) (3) (7) Director of Pure; Director and Secretary of Mexex; Director and Vice-President of Tormex	—	25,000	—	195,920	—	76,915
P. J. Schrieder Director of Lacanex	—	1	—	—	—	—
G. T. Smith Director of Lacanex	—	1	—	—	—	—
E. G. Thompson Director of Ducanex; Director and Vice-President of Tormex; Treasurer of Lacanex	—	20,000	—	—	—	—
D. E. G. Vasey (4) Director of Pure	—	50,000	—	43,200	26,100	—
B. Willinsky Director of Mexex	—	—	—	1,250	—	—

NOTES:

- (1) Mrs. A. J. Anderson holds \$5,000 of 8% Convertible Income Debentures of Pure ("Debentures"), W. S. Eplett holds \$25,000 of Debentures and E. L. Samuel holds \$5,000 of Debentures.
- (2) Not included are interests of R. G. Crompton, W. S. Eplett and E. L. Samuel who are each minority shareholders of The Johnson St. Corporation Limited, which holds 61,715 shares of Mexex, 41,000 shares of Tormex and 52,495 shares of Pure nor the non-controlling interests of W. S. Eplett and E. L. Samuel in Saep Investments Limited which holds 103,806 shares of Tormex and 50,000 shares of Lacanex.
- (3) E. L. Samuel is indirectly the beneficial owner of shares owned by Samuel Strapping Systems Limited, and is so shown.
- (4) Mr. and Mrs. D. E. G. Vasey each hold \$5,000 of Debentures and Mrs. Vasey holds 26,000 shares of Pure and 10,000 shares of Tormex.

- (5) R. G. Crompton is shown as the beneficial owner of 28,677 shares of Pure held by The Rochdale Corporation Limited which also holds \$44,000 of Debentures.
- (6) Mrs. W. S. Eplett holds 1,100 shares of Pure, 10,000 shares of Lacanex and 15,000 shares of Tormex.
- (7) A. J. Anderson, W. S. Eplett, W. H. Gross, The Johnson St. Corporation Limited, and Saep Investments Limited have additional interests with others in the Tormex Syndicate which holds 486,766 shares of Tormex.

The information with respect to directors and officers and shares beneficially owned by them not being within the knowledge of the Company has been furnished by them individually.

During regular business hours prior to the day of the meeting, the Reorganization and Financing Agreement may be examined by shareholders at the head office of the Company in Toronto.

Special Resolution "N"

Special Resolution "N" passed by the directors June 29, 1970 authorizes an application for Supplementary Letters Patent increasing the authorized capital to 7,000,000 shares without par value provided that the said 7,000,000 shares may not be issued for a consideration exceeding \$10,000,000 without payment of additional fees.

Toronto, Ontario
August 28, 1970.

FINANCIAL STATEMENTS

LACANEX MINING COMPANY LIMITED

PURE SILVER MINES LIMITED

TORMEX MINING DEVELOPERS LIMITED

LACANEX MINING COMPANY LIMITED

(Incorporated under the laws of Ontario)

and subsidiary company, Lacanex, S.A.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1969

ASSETS

CURRENT:

Cash.....	\$ 42,818	
Short term securities and accrued interest.....	1,260,372	
Loan receivable.....	10,741	
Prepaid expenses and sundry advances.....	2,594	\$1,316,525

FIXED: (at cost)

Office furniture and fixtures.....	9,340	
Automotive equipment.....	3,803	
Leasehold improvements.....	794	13,937

OTHER:

Incorporation expenses.....	3,125	
Advances for exploration.....	15,449	
Deferred exploration and administrative expenses.....	36,931	
Deferred share issue expense.....	29,516	85,021
		<u>\$1,415,483</u>

LIABILITIES

CURRENT:

Accounts payable and accrued charges.....	\$ 30,483
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SHAREHOLDERS' EQUITY:

Capital Stock: (Note 3)

Authorized—5,000,000 shares without par value	
Issued —1,700,007 shares.....	1,385,000
	<u>\$1,415,483</u>

Approved on behalf of the Board:

(Signed) F. W. MAUND, Director

(Signed) PAUL J. SCHRIEDER, Director

The accompanying notes form an integral part of this balance sheet.

LACANEX MINING COMPANY LIMITED

and subsidiary company, Lacanex, S.A.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES

For the Period from Incorporation on April 22, 1969 to December 31, 1969

EXPLORATION EXPENDITURES:

Exploration and investigation.....	\$ 11,577	
Geological and engineering fees and expenses.....	23,123	
Travel and accommodation.....	7,837	
Miscellaneous.....	629	\$ 43,166

ADMINISTRATIVE EXPENSES:

Administrative fees.....	4,048	
Rent.....	986	
Insurance.....	774	
Telephone and telegraph.....	538	
Legal fees.....	5,298	
Printing and stationery.....	344	
Office supplies and expense.....	1,520	
Travel, accommodation and public relations.....	1,799	
Accounting and audit.....	600	
Transfer agents fees.....	1,735	
Bank charges and foreign exchange.....	297	17,939

Deduct—Interest received.....	24,174
Deferred expenditures to December 31, 1969.....	\$ 36,931

AUDITORS' REPORT

To the Shareholders of
LACANEX MINING COMPANY LIMITED

We have examined the consolidated balance sheet of Lacanex Mining Company Limited and subsidiary company, Lacanex, S.A. as at December 31, 1969 and the consolidated statements of deferred exploration and administrative expenses and source and application of funds for the period from incorporation on April 22, 1969 to December 31, 1969. Our examination of Lacanex Mining Company Limited of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the subsidiary company.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the period then ended, in accordance with generally accepted accounting principles.

Toronto, Canada,
April 7, 1970.

MACGILLIVRAY & Co.
Chartered Accountants

LACANEX MINING COMPANY LIMITED

and subsidiary company, Lacanex, S.A.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Period from Incorporation on April 22, 1969 to December 31, 1969

SOURCE:

Issue of capital stock for cash.....	\$1,385,000
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APPLICATION:

Purchase of fixed assets.....	\$ 13,937	
Incorporation expenses.....	3,125	
Advances for exploration.....	15,449	
Exploration and administrative expenses.....	36,931	
Share issue expense.....	29,516	98,958
WORKING CAPITAL POSITION at December 31, 1969.....		<u>\$1,286,042</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1969

1. Basis of Consolidation

Lacanex, S.A., a wholly owned Mexican company, was incorporated on July 11, 1969. The consolidated financial statements include the accounts of this subsidiary for the period from its date of incorporation to December 31, 1969. The conversion of Mexican currency to Canadian funds was at the prevailing rate on December 31, 1969.

2. Comparative Figures

As the company was incorporated on April 22, 1969 no comparative figures for 1968 are available.

3. Capital Stock

- During the period from April 22, 1969 to December 31, 1969 1,700,007 shares were issued for \$1,385,000 cash.
- Warrants to purchase shares are outstanding entitling the holder thereof to purchase one share for each warrant held (850,000 in total) at the price of \$1.50 per share if exercised at any time on or before June 30, 1972 and at any time thereafter but on or before June 30, 1975 at a price of \$2.50 per share.
- If all available warrant rights are exercised, the company would be required to issue 850,000 shares of its capital stock.

PURE SILVER MINES LIMITED
(Incorporated under the laws of Ontario)
and subsidiary company, Mexico Exploration (Canada) Limited

CONSOLIDATED BALANCE SHEET—MARCH 31, 1970
(with comparative figures at March 31, 1969)

	ASSETS	1970	1969
CURRENT ASSETS			
Cash.....		\$ 4,718	\$ 16,403
Short term securities and accrued interest.....			390,614
Receivable from associated companies.....		12,471	
Other amounts receivable and deposits.....		11,125	6,009
		28,314	413,026
INVESTMENT IN ASSOCIATED COMPANIES, at cost (note 2)			
Tormex Mining Developers Limited.....		75,000	75,000
Lacanex Mining Company Limited.....		105,500	
Other associated companies:			
Shares.....		69,705	75,000
Advances.....		24,227	77,150
		274,432	227,150
FIXED ASSETS, at cost			
Mining machinery and equipment.....		33,193	33,193
Office furniture and fixtures.....		27,206	212
Leasehold improvements.....		11,808	
		72,207	33,405
Less accumulated depreciation and amortization.....		10,361	
		61,846	33,405
MINING CLAIMS IN CANADA, at cost (note 4).....		155,270	155,270
OTHER ASSETS AND DEFERRED CHARGES			
Advances for Mexican exploration.....		18,886	18,886
Deposit held by trustee (note 3).....		98,000	98,000
Note receivable, due May 3, 1971.....		3,240	
Other advances.....			24,884
Exploration, administrative and other expenditures deferred.....		990,124	615,804
Organization expenses deferred.....		4,803	4,803
Other deferred charges.....		583	
		1,115,636	762,377
		\$1,635,498	\$1,591,228
	LIABILITIES		
CURRENT LIABILITIES			
Accounts payable and accrued liabilities.....		\$ 31,342	\$ 14,724
Notes payable.....		2,652	
		33,994	14,724
INCOME DEBENTURES			
8% Convertible income debentures, due April 1, 1978, secured by shares of subsidiary company (note 5).....		538,500	681,000
INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY.....		24,004	24,004
	SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 6)			
Authorized—5,000,000 shares without par value			
Issued —2,616,500 shares (1969—2,424,000 shares).....		1,039,000	871,500
		\$1,635,498	\$1,591,228

Approved by the Board
A. J. ANDERSON, Director
W. H. GROSS, Director

PURE SILVER MINES LIMITED

and subsidiary company, Mexico Exploration (Canada) Limited

CONSOLIDATED STATEMENT OF EXPLORATION, ADMINISTRATIVE AND OTHER EXPENDITURES DEFERRED—YEAR ENDED MARCH 31, 1970

(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
EXPLORATION EXPENDITURES		
Mexico		
Project participation—Cebada, Peregrina and La Veta Madre		
Joint venture expenditures.....	\$743,193	\$270,458
Less expenditures of participants (70%).....	<u>520,235</u>	<u>189,321</u>
Project participation (30%).....	<u>222,958</u>	<u>81,137</u>
Expenditures on the Peregrina property for the period (July 14, 1967 to May 6, 1968) prior to the initiation of the joint venture project		
Exploration.....		51,976
Legal.....		<u>6,454</u>
		<u>58,430</u>
Other field expenditures		
Engineering fees and expenses.....	17,855	28,674
Geological.....	5,646	
Legal.....	1,567	4,543
Travel.....	4,986	
Sundry.....	<u>10,298</u>	<u>5,656</u>
	<u>40,352</u>	<u>38,873</u>
Other areas		
Goodchild Lake.....	53,538	20,298
Yukon.....	<u>488</u>	<u>1,430</u>
	<u>54,026</u>	<u>21,728</u>
	<u>317,336</u>	<u>200,168</u>
ADMINISTRATIVE EXPENSES.....	<u>77,451</u>	<u>77,176</u>
FINANCING EXPENSES		
Debenture discount.....		75,000
Debenture issue expenses.....		<u>17,846</u>
		<u>92,846</u>
	<u>394,787</u>	<u>370,190</u>
DEDUCT		
Interest earned.....	20,467	25,153
Excess of book value of subsidiary company's net assets over cost of acquiring shares.....		<u>28,501</u>
	<u>20,467</u>	<u>53,654</u>
EXPENDITURES (net) for the year (note 1).....	374,320	316,536
Balance deferred at beginning of year.....	<u>615,804</u>	<u>299,268</u>
Balance deferred at end of year.....	<u><u>\$990,124</u></u>	<u><u>\$615,804</u></u>

PURE SILVER MINES LIMITED
and subsidiary company, Mexico Exploration (Canada) Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
YEAR ENDED MARCH 31, 1970
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
SOURCE OF FUNDS		
Issue of capital stock for cash.....	\$ 25,000	\$270,000
Issue of convertible income debentures.....		675,000
Sale of shares in other associated companies.....	5,295	
Repayment of other advances.....	24,884	
	<u>55,179</u>	<u>945,000</u>
APPLICATION OF FUNDS		
Exploration, administrative and other expenditures.....	374,320	316,536
Less non-fund items		
Decrease in advances to other associated companies.....	52,923	
Depreciation and amortization.....	10,361	
Discount on issue of debentures.....		75,000
Excess of book value of subsidiary company's net assets over cost of acquiring shares.....		(28,501)
	<u>63,284</u>	<u>46,499</u>
	311,036	270,037
Investment in Lacanex Mining Company Limited.....	105,500	
Investment in Tormex Mining Developers Limited.....		75,000
Additions to fixed assets.....	38,802	2,905
Funds deposited with trustee under the Peregrina option agreement.....		98,000
Advances for Mexican exploration.....		18,886
Advances to associated companies.....		12,796
Working capital deficiency of subsidiary company acquired.....		37,186
Note receivable.....	3,240	
Other deferred charges.....	583	
	<u>459,161</u>	<u>514,810</u>
Increase (decrease) in working capital position.....	(403,982)	430,190
Working capital (deficiency) at beginning of year.....	<u>398,302</u>	<u>(31,888)</u>
Working capital (deficiency) at end of year.....	<u>\$ (5,680)</u>	<u>\$398,302</u>

PURE SILVER MINES LIMITED

and subsidiary company, Mexico Exploration (Canada) Limited

ADMINISTRATIVE EXPENSES—YEAR ENDED MARCH 31, 1970

(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
Salaries.....	\$ 25,895	\$ 6,600
Rent.....	11,479	4,876
Legal.....	12,232	42,883
Accounting and audit.....	7,225	5,450
Transfer agency fees.....	4,604	5,162
Stock exchange listing and expenses.....	5,400	
Travel and accommodation.....	3,256	4,848
Printing and stationery.....	5,633	1,921
Telephone and telegraph.....	5,474	2,310
Subscriptions and library.....	1,585	
Publicity, advertising and public relations.....	6,405	1,342
Office supplies and expense.....	4,199	
Administrative expenses in Mexico.....	2,371	
Employee benefits.....	422	
Depreciation of office furniture and fixtures.....	5,441	
Amortization of leasehold improvements.....	4,920	
Miscellaneous.....	2,637	1,984
	<u>109,178</u>	<u>77,376</u>
Less administrative expenses recovered from associated companies.....	31,727	200
	<u>\$ 77,451</u>	<u>\$ 77,176</u>

AUDITORS' REPORT

To the Shareholders of
PURE SILVER MINES LIMITED

We have examined the consolidated balance sheet of Pure Silver Mines Limited and subsidiary company, Mexico Exploration (Canada) Limited as at March 31, 1970 and the consolidated statements of exploration, administrative and other expenditures deferred and source and application of funds for the year then ended. Our examination of the financial statements of Pure Silver Mines Limited of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the subsidiary company.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 24, 1970

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

PURE SILVER MINES LIMITED
and subsidiary company, Mexico Exploration (Canada) Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—MARCH 31, 1970

1. Basis of Consolidation

In accordance with an agreement dated February 29, 1968, the company acquired 92% of the shares of Mexico Exploration (Canada) Limited (Mexex). Mexex has changed to a March 31 fiscal year end and accordingly the 1970 consolidated financial statements include the accounts of Mexex for the fifteen months ended March 31, 1970. The 1969 consolidated financial statements include the accounts of Mexex for its fiscal year ended December 31, 1968. On consolidation, a credit balance arises because the book value of the net assets of the subsidiary company exceeded the cost of the shares. This credit was deducted from deferred exploration and administrative expenditures.

As agreed on purchase of the interest in Mexex

- (a) The company has reserved for issue at 65¢ per share a further 50,000 shares of its capital stock if Plata de Guanajuato, S.A. (a company in which Mexex has a 34% interest) obtains certain mining concessions by February 28, 1978;
- (b) As part consideration for the acquisition of shares of Mexex, the company granted an option to purchase an aggregate of 300,000 shares of the company's capital stock which is exercisable only after 180 days of production at 200 metric tons of ore per day from any of the properties owned by the Mexican affiliates of Mexex and having proved ore reserves of not less than 100,000 metric tons, and before October 31, 1977, as follows:
 - 100,000 shares at \$2.00 per share
 - 100,000 shares at \$2.50 per share
 - 100,000 shares at \$3.00 per share
- (c) An option until October 31, 1970 to purchase at 40¢ per share 100,000 unissued shares of Mexex, is held in trust for the company.

2. Investment in Associated Companies

The investment in Tormex Mining Developers Limited consists of 150,000 shares and 75,000 warrants expiring June 30, 1971 entitling the holder to purchase one common share for 80¢ for each warrant held. The quoted market value of the shares held amounted to \$97,500 at March 31, 1970.

The investment in Lacanex Mining Company Limited consists of 100,000 shares and 50,000 warrants expiring June 30, 1975 entitling the holder to purchase on or before June 30, 1972 one common share for \$1.50 or thereafter one common share for \$2.50. The quoted market value of the shares held amounted to \$95,000 at March 31, 1970.

The subsidiary company owns 1,500 shares (30% interest) in Cia. Minera Las Torres, S.A. and 170 shares (34% interest) in Plata de Guanajuato, S.A. at March 31, 1970. These shares, plus an additional 950 shares in Cia. Minera Las Torres, S.A., were acquired in prior years for 750,000 shares of the subsidiary valued at \$75,000. Pursuant to an agreement dated February 23, 1968 the subsidiary sold 950 shares in Cia. Minera Las Torres, S.A. during the year to Compania Fresnillo, S.A. for U.S. \$7,600 less debts of Torres totalling \$2,897 at the date the option was exercised.

3. Options to Purchase Mexican Mining Interests

(a) Assignment of options

With the approval of the shareholders, the company acquired an assignment of two options to purchase Mexican mining interests. In consideration for the assignment, the company granted an option on 250,000 shares of its capital stock at 50¢ per share. The option has been exercised with respect to 125,000 shares and may be exercised with respect to the remaining 125,000 shares by October 29, 1971.

(b) Cebada option

Under this agreement the company, along with Compania Fresnillo, S.A. (Fresnillo) and Metalurgica Mexicana Penoles, S.A. (Penoles) has an option until May 3, 1971

- (i) to acquire 75% of the shares of Compania Minera Cebada, S.A. (the Cebada company) and certain machinery and equipment for U.S. \$75,000 and 225,000 shares of the company's capital stock, and
- (ii) to acquire the "San Pedro" mill and other equipment for U.S. \$100,000.

During the option period, the company, Fresnillo and Penoles are required to maintain a minimum balance of U.S. \$5,000 monthly (company's share, \$1,500) on deposit to meet exploration expenditures on the Cebada properties.

If the options are exercised, the company is to have a 30% interest in the Cebada shares and the machinery and equipment and is required to contribute as consideration as follows:

- (i) For the Cebada shares and certain machinery and equipment, U.S. \$30,000 and 225,000 shares of the company's capital stock, for which the company is to be partially compensated by receiving U.S. \$101,250 from Fresnillo and Penoles;
- (ii) For the "San Pedro" mill and other equipment, U.S. \$30,000.

(c) **Peregrina option**

Under this agreement the company, along with Compania Fresnillo, S.A. (Fresnillo) and Metalurgica Mexicana Penoles, S.A. (Penoles) had an option until May 3, 1970 to acquire all the Class A and Class B shares of Negociacion Minera Santa Lucia, S.A. (the Santa Lucia company) and the debt of the Santa Lucia company presently owing to a Canadian company of Cdn. \$450,243 in consideration for Cdn. \$200,000 and 500,000 shares of the company's capital stock. The company, Fresnillo and Penoles were required to spend Cdn. \$240,000 on exploration and development of the Santa Lucia properties. As at March 31, 1970 the companies had expended \$468,952.

This option was exercised on April 29, 1970. Under the terms of the option the company received 3,000 Class B shares representing a 30% interest in the Santa Lucia company, and a 30% interest in the purchased debt and was required to contribute Cdn. \$139,920 and 500,000 shares of the company's capital stock for which the company is to be partially compensated by receiving Cdn. \$342,420 from Fresnillo and Penoles. Of this amount, Cdn. \$79,920 was received upon exercise of the option and the remainder will be received in 24 monthly instalments of Cdn. \$10,937.50 each.

For two years after the exercise of the Peregrina option, provided that at least 200,000 of the company's shares are owned by one of the parties to the option agreement, none of the Class B shares of Santa Lucia acquired by the company under the option agreement shall be disposed of without the consent of such party.

The deposit of Cdn. \$98,000 which was in the hands of a trustee at March 31, 1970 was used in making the required contribution of \$139,920 in exercising the Peregrina option.

4. Mining Claims in Canada

Mining claims in Canada at March 31, 1970 and March 31, 1969 comprise the following:

- 19 claims in the Watson Lake Mining District, Yukon Territory, acquired for 750,000 shares of capital stock issued at 20¢ each, and
- 54 unpatented claims in the Goodchild Lake Area, Ontario (75% interest).

5. Debentures

During the year ended March 31, 1969 the company issued \$750,000 8% convertible income debentures. The debentures may be converted into shares of the company at any time prior to October 1, 1977 at the rate of 500 shares per \$500 principal amount of debentures. Interest is payable on June 30, each year at 8% per annum only to the extent that the company has made a net profit (defined in the Trust Indenture) in its immediately preceding fiscal year.

During the year ended March 31, 1970 \$142,500 debenture principal was converted into 142,500 shares of the company's capital stock (1969-\$69,000 debenture principal converted into 69,000 shares).

6. Capital Stock

(a) During the year ended March 31, 1970 shares were issued as follows:

- 50,000 shares for \$25,000 cash under an option granted for assignment of Mexican mining interest
- 142,500 shares on conversion of \$142,500 debentures

During the year ended March 31, 1969 shares were issued as follows:

- 105,000 shares for \$270,000 cash
- 150,000 shares for \$97,500 as partial consideration for 1,215,046 shares of Mexico Exploration (Canada) Limited
- 69,000 shares on conversion of \$69,000 debentures

(b) If all options to purchase and conversion rights are exercised, the company would be required to issue shares of its capital stock as follows:

<u>Transaction</u>	<u>No. of shares</u>
(i) Options outstanding	
Assignment of Mexican Mining interest.....	125,000
(ii) Conditional options	
On Veta Madre achieving specified production requirements.....	300,000
Employee stock option on completion of one year of employment, may exercise up to maximum of 5,000 shares per year for each of first three years thereafter. Option expires November 30, 1974.....	15,000
(iii) Conditional purchase obligations	
On acquisition of specified additional property by the subsidiary.....	50,000
On exercise of the Cebada option.....	225,000
On exercise of the Peregrina option.....	500,000
(iv) Conversion of debentures.....	538,500
	<u>1,753,500</u>

7. Remuneration of Directors and Senior Officers

Remuneration of the company's directors and senior officers (as defined by The Corporations Act of Ontario) amounted to \$45,121 for 1970 and \$19,600 for 1969.

8. Comparative Figures

Certain of the 1969 figures have been reclassified for comparative purposes.

TORMEX MINING DEVELOPERS LIMITED

(Incorporated under the laws of Ontario)

and subsidiary company, Contratista Tormex, S.A.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1969 AND 1968

ASSETS		1969	1968
CURRENT:			
Cash.....	\$	38,366	\$ 2,535
Short-term securities.....		71,289	
Sundry advances, receivables and prepaid expenses.....		29,404	
		<u>139,059</u>	<u>2,535</u>
INVESTMENT IN ASSOCIATED COMPANIES (Notes 2 and 5):			
Shares.....		555,530	
Advances.....		98,313	
		<u>653,843</u>	
FIXED:—at cost			
Office furniture and fixtures.....		1,585	
Automobile.....		3,950	
Leasehold improvements.....		3,519	
		<u>9,054</u>	
OTHER ASSETS AND DEFERRED CHARGES:			
Advances for exploration.....		5,582	
Deferred exploration and administrative expense.....		196,168	6,290
Share issue expense deferred.....		20,802	
Organization expense deferred.....		2,718	2,640
		<u>225,270</u>	<u>8,930</u>
		<u>\$1,027,226</u>	<u>\$ 11,465</u>
LIABILITIES			
CURRENT:			
Accounts payable and accrued charges.....	\$	16,165	\$ 8,520
SHAREHOLDERS' EQUITY:			
Capital Stock (Note 3)			
Authorized—5,000,000 shares without par value			
Issued and fully paid—2,156,330 shares			
(1968—5,830 shares).....		903,345	2,945
Contributed Surplus (Note 4).....		107,716	
		<u>1,011,061</u>	<u>2,945</u>
		<u>\$1,027,226</u>	<u>\$ 11,465</u>

Approved on behalf of the Board of Directors:

(Signed) E. L. SAMUEL, Director

(Signed) W. S. EPLETT, Director

The attached notes form an integral part of these financial statements.

TORMEX MINING DEVELOPERS LIMITED

and subsidiary company, Contratista Tormex, S.A.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES

For the Years Ended December 31, 1969 and 1968

	1969	1968
EXPLORATION EXPENDITURES:		
Expenditures on Mexican properties:		
Exploration.....	\$ 55,511	
Engineering fees and expenses.....	61,639	
Legal.....	123	
Travel and accommodation.....	8,273	
Telephone and telegraph.....	497	
Mining claims expenses.....	1,982	
Insurance.....	700	
Sundry.....	1,165	
	<u>129,890</u>	
ADMINISTRATIVE EXPENSES:		
Administrative fees.....	8,221	
Rent.....	2,628	
Legal, audit and accounting.....	34,118	\$ 5,600
Travel and accommodation.....	10,849	
Printing and stationery.....	2,957	
Office supplies and expense.....	2,543	38
Telephone and telegraph.....	2,015	
Promotion, public relations and advertising.....	1,007	
Transfer agents fees.....	859	
Sundry.....	2,700	
Bank charges and foreign exchange.....	1,073	
	<u>68,970</u>	<u>5,638</u>
	198,860	5,638
Deduct—Interest earned.....	8,982	
Expenditures (Net) for the year.....	189,878	5,638
Deferred expenditures, beginning of year.....	6,290	652
Deferred expenditures, end of year.....	<u>\$196,168</u>	<u>\$ 6,290</u>

The attached notes form an integral part of these financial statements.

TORMEX MINING DEVELOPERS LIMITED

and subsidiary company, Contratista Tormex, S.A.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS For the Years Ended December 31, 1969 and 1968

	1969	1968
SOURCE OF FUNDS:		
Issue of capital stock—for cash.....	\$ 825,400	\$ 2,840
—for investments.....	75,000	
	900,400	
Funds received from Exploraciones Sonora, S.A.....	107,716	
	<u>1,008,116</u>	<u>2,840</u>
APPLICATION OF FUNDS:		
Purchase of shares in associated companies.....	555,530	
Advances to associated companies.....	98,313	
Purchase of fixed assets.....	9,054	
Advances for exploration.....	5,582	
Exploration and administrative expenditures.....	189,878	5,638
Share issue expense.....	20,802	
Organization expense.....	78	2,150
	<u>879,237</u>	<u>7,788</u>
Increase (decrease) in working capital position.....	128,879	(4,948)
Working capital deficiency at beginning of year.....	5,985	1,037
Working capital (deficiency) at end of year.....	<u>\$ 122,894</u>	<u>\$ (5,985)</u>

AUDITORS' REPORT

To the Shareholders of
TORMEX MINING DEVELOPERS LIMITED.

We have examined the consolidated balance sheet of Tormex Mining Developers Limited and its subsidiary company, Contratista Tormex, S.A. as at December 31, 1969 and the consolidated statements of deferred exploration and administrative expenditures and source and application of funds for the year then ended. Our examination of Tormex Mining Developers Limited of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the subsidiary company.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
April 27, 1970.

MACGILLIVRAY & Co.
Chartered Accountants.

TORMEX MINING DEVELOPERS LIMITED

and subsidiary company, Contratista Tormex, S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1969

1. Basis of Consolidation

Contratista Tormex, S.A. a wholly owned Mexican company was incorporated on April 14, 1969. The consolidated financial statements include the accounts of this subsidiary for the period from its date of incorporation to December 31, 1969. The conversion of Mexican currency to Canadian funds was at the prevailing rate on December 31, 1969.

2. Investment in Associated Companies

At December 31, 1969, the company had investments in and advances to associated companies as follows:

	Number of Shares	Percentage Owned	Cost of Shares	Advances
Cia. Minera La Profesa, S.A.....	735	49	\$ 75,000	\$ 31,746
Minera Urique, S.A.....	490	49		23,471
Cia. Minera La Cuesta, S.A.....	490	49	8,605	12,673
Cia. Minera Del Bacatete, S.A.....	5,880	49	39,925	30,423
Ludelco Mines Limited.....	400,000	29	432,000	
			<u>\$555,530</u>	<u>\$ 98,313</u>

Under agreement dated January 31, 1969, the company purchased (a) all of the Series B shares (49% interest) of Cia. Minera La Profesa, S.A.; (b) all of the Series B shares (49% interest) of Minera Urique, S.A.; and (c) an option to purchase all the Series B shares (49% interest) of Tungsteno de Baviacora, S.A.; in consideration for 750,000 shares of the company valued at \$75,000. This latter option to purchase the Series B shares of Tungsteno de Baviacora, S.A., was discontinued on February 2, 1970.

Under agreement dated June 30, 1969, the company agreed to subscribe and pay for 600,000 shares of Ludelco Mines Limited at a price of \$1.00 (U.S. funds) per share. As at December 31, 1969 the company had subscribed and paid for 400,000 shares for a total consideration of \$432,000. By agreement dated April 27, 1970, the company will be released from its obligation to subscribe for the remaining 200,000 shares of Ludelco Mines Limited if it pays to Ludelco the sum of \$50,000 (U.S. funds) on or before August 1, 1970 to be used for further exploration of the San Antonio claims and if the company transfers for \$1.00 (U.S. funds) 200,000 shares of Ludelco on or before August 1, 1970, to a trustee designated in writing by Ludelco and Exploraciones Sonora, S.A. Such shares are to be dealt with by the trustee on Ludelco's behalf to assist in attracting outside financing. The advance of \$50,000 (U.S. funds) mentioned above will be convertible into shares of Ludelco if and when additional shares of Ludelco are offered for sale. The agreement also states that in the event that Tormex's interest in any one of the Arados, La Noria or Santa Rosa mining properties shall within a period of two years from the date of the agreement attain a value of \$500,000 (U.S. funds) or more after subtracting the actual costs of improvements to such properties, then the company shall subscribe and pay up to \$150,000 (U.S. funds) for shares of Ludelco. The company has also agreed to not sell any of its shares of Ludelco prior to August 1, 1972 without the prior consent of Exploraciones Sonora, S.A.

3. Capital Stock

(a) During the year ended December 31, 1969 shares were issued as follows:

- 750,000 shares for purchase of shares in Cia. Minera La Profesa, S.A.; Minera Urique, S.A.; and option to purchase shares in Tungsteno de Baviacora, S.A., valued at \$75,000.
- 1,400,500 shares for \$825,400.

- (b) Warrants to purchase shares are outstanding entitling the holder thereof to purchase one share for each warrant held (502,415 in total) at the price of \$0.80 per share at any time on or before June 16, 1970.
- (c) The company, by agreements dated January 23, 1969 and June 30, 1969 has granted options for the issuance of 300,000 shares in the capital stock of the company for a total cash consideration of \$150,000 exercisable at any time on or before March 15, 1972. As of December 31, 1969, options for 150,000 such shares were exercised.

The company, by agreement dated October 30, 1969 has granted an option to R & I-Ramtite (Canada) Limited for the issuance of 250,000 shares in the capital stock of the company at the price of \$1.50 per share exercisable at any time on or before October 30, 1970.

The company by agreement dated July 8, 1969 has designated 50,000 shares of the capital stock of the company as employees' share options. The option period shall be five years from the date the option is granted. During 1969, the following options were granted under the Plan—

25,000 shares at .80¢ per share expiring September 25, 1974.

25,000 shares at .80¢ per share expiring October 27, 1974.

- (d) If all available options to purchase and warrant rights are exercised, the company would be required to issue shares of its capital stock as follows:

	No. of Shares	Cash Consideration
Warrants to purchase shares.....	502,415	\$401,932
Available options.....	450,000	490,000
	<u>952,415</u>	<u>\$891,932</u>

4. Contributed Surplus

By agreement dated June 30, 1969, Exploraciones Sonora, S.A. advanced to the company without interest, \$100,000 (U.S. funds). In full and complete satisfaction thereof Exploraciones Sonora, S.A. accepted an option to purchase 50,000 shares of the capital stock of the company at the price of .50¢ per share. This option to purchase is included in the options outstanding as detailed in note 3 (c).

5. Companies Operations

The companies have been involved in financing associated companies in exploring for mineral deposits and engaged in investigating opportunities for mining ventures.

No commercial mineral deposits have yet been located by the affiliated companies. The realization and collectibility of the investments and advances to associated companies would appear to be dependent upon the discovery and successful exploitation of mineral deposits by the associated companies.

LACANEX MINING COMPANY LIMITED

and subsidiary company, Lacanex, S.A.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1970

SOURCE OF FUNDS.....	\$ —
APPLICATION OF FUNDS:	
Purchase of fixed assets.....	12,722
Exploration expenses (net).....	18,851
Investment in shares of associated company (Ducanex Resources Limited).....	450
Advance to associated company (Ducanex Resources Limited).....	150,000
	<u>182,023</u>
Decrease in working capital position.....	(182,023)
Working capital, beginning of period.....	1,286,042
Working capital, end of period.....	<u>\$1,104,019</u>

NOTE: The company was incorporated on April 22, 1969 and there were no operations during the period to June 30, 1969.

TORMEX MINING DEVELOPERS LIMITED

and subsidiary company, Contratista Tormex, S.A.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1970 and 1969

	1970	1969
SOURCE OF FUNDS:		
Issue of capital stock for cash.....	\$ —	\$500,080
APPLICATION OF FUNDS:		
Purchase of shares in associated company.....	1,044	—
Purchase of fixed assets.....	4,275	6,271
Exploration and administrative expenses.....	77,522	108,137
Deposit to acquire share purchase option.....	25,358	—
Advances to associated companies.....	—	50,579
Share issue expense.....	—	19,862
Organization expense.....	—	152
	<u>108,199</u>	<u>185,001</u>
Increase (Decrease) in working capital position.....	(108,199)	315,079
Working capital (deficiency), beginning of period.....	122,894	(5,985)
Working capital, end of period.....	<u>\$ 14,695</u>	<u>\$309,094</u>